

Internal Revenue Service
Tax-Exempt & Government Entities Division
Office of Exempt Organizations
Draft Form 990 Redesign – Schedule L
June 14, 2007

Rationale

The Service continues to see loans between exempt organizations and their officers, directors, trustees, and other employees. Although such loans may be permitted, the Service is concerned that such loan arrangements may be used to disguise compensation or for improper purposes.

Overview:

- Schedule L generally requires the reporting of loan information that is currently required on 2006 Form 990, including loans to or by the organization involving officers, directors, key employees, and certain other disqualified persons.
- Schedule L replaces the attachment required for 2006 Form 990, lines 50a, 50b, and 63
- Expanded to include loans to and from highly compensated employees
- Expanded to include loans from other disqualified persons
- Required information changed as follows:
 - added column to indicate whether the loan is evidenced by written agreement
 - eliminated repayment terms
 - eliminated description and FMV of consideration furnished by lender (for property loans)

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20XX Instructions for Schedule L

Who Must File

All organizations that enter an amount on Form 990, Part VI, lines 5, 6 or 23 must complete and attach Schedule L to Form 990.

If the organization is not required to file Form 990, it is not required to file Schedule L.

Part I Loans to Officers, etc. and Disqualified Persons

Report details on loans, advances, and receivables outstanding as of the end of the filing organization's tax year, payable to the filing organization by the following:

- Current or former officers, directors, trustees, key employees, or highly compensated employees listed in Form 990 Part II
- (for filing organizations described in section 501(c)(3) or (4)) disqualified persons as described in section 4958(f)(1)
- (for filing organizations described in section 509(a)(3)) disqualified persons as described in section 4958(c)(3)(B).

Report each loan, advance, or receivable separately. Do not report advances made under an expense allowance arrangement for payment of business expenses as described in Treas. Reg. 1.62-2(c)(1). Also, do not report pledges receivable that would qualify as charitable contributions when paid.

(b). State the original dollar amount owed (the loan principal). For a loan of property other than cash, state its fair market value.

(c). State the balance due as of the end of the organization's tax year, including outstanding principal, accrued interest, and any applicable penalties and collection costs.

(d). State the date of the original loan, advance, or receivable. If the debt is evidenced by a promissory note, use that date.

(e). State the maturity date, if any, for the loan, advance, or receivable, i.e., the date by which the loan, advance, or receivable must be fully repaid. If there is none, state "N.A."

(f). State the interest rate for each loan, advance, or receivable during the tax year. If no interest was owed, state "N.A." For fluctuating rates, state the weighted average.

(g). Briefly describe the security for the loan, advance, or receivable. If none, state "N.A."

(h). State the organization's purpose for making the loan or advance (e.g., "compensation package").

(i). Check this box if the loan, advance, or receivable is evidenced by a written agreement between the parties.

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The sum total indicated in Column (c) must equal the total of Form 990, Part VI (Balance Sheet), Lines 5 and 6.

Part II Loans from Officers, etc. and Disqualified Persons

Provide the information as described above in Schedule L Part I with reference to loans, advances, and payables in which the debtor is the filing organization, and the creditor is a current or former officer, director, trustee, key employee, highly compensated employee, or independent contractor, or a disqualified person. Do not list accrued but unpaid compensation owed by the filing organization. In (h), state the filing organization's purpose for borrowing. The sum total indicated in Column (c) must equal Form 990, Part VI (Balance Sheet), Line 23.

On Schedule L, report each receivable separately even if more than one loan was made to the same person or the same terms apply to all loans. Report salary advances, and other amounts receivable for the personal use and benefit of the recipient, and receivables subject to special terms or arising from non-typical transactions, such as separate loans for each current officer, director, trustee, key employee, or other individual.

Report each receivable separately even if more than one loan was made to the same person or the same terms apply to all loans. Report advances for the personal use and benefit of the recipient, and receivables subject to special terms, or arising from non-typical transactions, as separate loans for each disqualified person that is not a current or former officer, director, trustee, or key employee. For credit unions, report only loans or receivables that are not made on the same terms as other members of the organization.